

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A
6423 Buried Cable Expense (Cont )	Direct Cost Pool	Based on description of accounting codes	Directly assigned to nonregulated	This pool is used by <b>NB</b> , PB and SWBT, who perform work on others' property, so there is not necessarily direct nonregulated related investment	✓	✓	✓	
	Signaling Cost Pool	Based on description of accounting codes and relative value of Signaling Cost Pool in Account 2423	Directly attributed based on current month regulated and nonregulated use of the Signaling Cost Pool investment in Account 2423, Buried Cable					✓
6424 Submarine and Deep Sea Cable Expense	Direct Cost Pool	Cost Pool equals account	Directly assigned to regulated	Includes prior Accounts 6424 and 6425	✓		✓	✓
6426 Intrabuilding Network Cable Expense	Direct Cost Pool	Cost Pool equals account	Directly assigned to regulated		✓	✓	✓	✓
6431 Aerial Wire Expense	Direct Cost Pool	Cost Pool equals account	Directly assigned to regulated		✓	✓	✓	
6441 Conduit Systems Expense	Direct Cost Pool	Based on description of accounting codes	Directly assigned to regulated		✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes	Directly assigned to nonregulated	<b>PB and SWBT rarely use this cost pool</b>	✓		✓	
	Signaling Cost Pool	Based on description of accounting codes and relative value of Signaling Cost Pool in Account 2441	Directly attributed based on current month regulated and nonregulated use of the Signaling Cost Pool investment in Account 2441, Conduit		✓		✓	✓

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A
6511 Property Held For Future Telecommunications Use Expense	Future Use Cost Pool	Cost Pool equals account	Indirectly attributed based on the relative investment value of Account 2002, Property Held for Future Telecommunications Use	The Companies do not use this account				
6512 Provisioning Expense	Direct Cost Pool	Based on description of accounting codes	Directly assigned to regulated		✓	✓	✓	
	Direct Cost Pool	Based on description of accounting codes	Directly assigned to nonregulated	<b>SWBT, PB and NB rarely use this cost pool</b>	✓	✓	✓	
	Provisioning Cost Pool	Based on description of accounting codes	<b>Indirectly attributed based on the relative investment value of Account 1220, Inventories</b>	Represents the remaining expenses after clearances to construction accounts and other plant specific expense accounts	✓	✓	✓	✓
6531 Power Expense	Direct Cost Pool	<b>Based on description of accounting codes</b>	<b>Directly assigned to regulated</b>		✓			
	Power Cost Pool	<b>Based on description of accounting codes</b>	Indirectly attributed based on relative investment value of central office equipment in Accounts 2211 through 2232		✓	✓	✓	✓
6532 Network Administration Expense	Direct Cost Pool	Based on description of accounting codes	Directly assigned to regulated		✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes	Directly assigned to nonregulated	<b>PB rarely uses this cost pool</b>	✓	✓	✓	
	Switching Administration Cost Pool	Based on description of accounting codes	Indirectly attributed based current regulated and nonregulated investment value of Accounts 2211 through 2232 and 2411 through 2441					✓

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A
6532 Network Administration Expense (Cont )	Service Order Center Cost Pool	Based on description of accounting codes	Indirectly attributed based on relative value of Distribution Services and Station Connections current month salaries and wages in Accounts 2311 through 2441, and 6311 through 6441		✓	✓	✓	
	Network Administration Support Cost Pool	Based on description of accounting codes	Indirectly attributed based on relative value of current month salaries and wages in the cost pools (excluding the Network Administration Support Cost Pool) in Account 6532, Network Administration Expense		✓	✓	✓	
6533 Testing Expense	Direct Cost Pool	Based on description of accounting codes	Directly assigned to regulated	Includes the costs incurred in testing telecommunications facilities from a testing facility to determine the condition of plant	✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes	Directly assigned to nonregulated		✓		✓	✓
	Subscriber Line Testing Cost Pool	Based on description of accounting codes	Directly attributed based on trouble reports		✓	✓	✓	✓
	Testing Support Cost Pool	Based on description of accounting codes	Directly attributed based on relative value of current month salaries and wages in other cost pools (excluding Testing Support Cost Pool) in Account 6533, Testing Expense		✓	✓	✓	
6534 Plant Operations Administration Expense	Direct Cost Pool	Based on description of accounting codes	Directly assigned to regulated		✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes	Directly assigned to nonregulated	Ameritech rarely uses this cost pool.	✓	✓	✓	✓
	Supervision and Support Cost Pool	Based on description of accounting codes	Indirectly attributed based on <b>relative value</b> of current month salaries and wages in Accounts 6211 through 6441	The balance remaining in Account 6534 after clearance represents indirect supervision and support related to maintenance activities	✓	✓	✓	✓
	Shared Cost Pool	Based on description of accounting codes	Indirectly attributed based on <b>relative value</b> of current month salaries and wages in Accounts 2211 through 2690, and 6211 through 6441		✓	✓	✓	✓

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A
6534 Plant Operations Administration Expense (Cont )								
6535 Engineering Expense	Direct Cost Pool	Based on description of accounting codes	Directly assigned to regulated		✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes	Directly assigned to nonregulated	Ameritech rarely uses this cost pool	✓	✓	✓	✓
	Supervision and Support Cost Pool	Based on description of accounting codes	Indirectly attributed based on <b>relative value</b> of current month salaries and wages in Accounts 6211 through 6441					✓
	Shared Cost Pool	Based on description of accounting codes	Indirectly attributed based on <b>relative value</b> of current month salaries and wages in Accounts 2211 through 2690, and 6211 through 6441					✓
	Engineering - Central Office Cost Pool	Based on description of accounting codes	Indirectly attributed based on relative investment value of Accounts 2211 through 2232, Central Office Equipment		✓	✓	✓	
	Engineering - Outside Plant Cost Pool	Based on description of accounting codes	Indirectly attributed based on relative investment value of Accounts 2411 through 2441, Cable and Wire Facilities		✓	✓	✓	
	Engineering - Building Cost Pool	Based on description of accounting codes	Indirectly attributed based on relative investment value of Account 2121, Buildings		✓	✓	✓	
	Engineering - Common Function Cost Pool	Based on description of accounting codes	Indirectly attributed based on the relative investment value in Accounts 2121, 2211 through 2232 and 2411 through 2441. Directly assigned to regulated		✓	✓	✓	
6540 Access Expense	Direct Cost Pool	Based on description of accounting codes	Directly assigned to regulated		✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes	Directly assigned to nonregulated	Ameritech rarely uses this cost pool.				✓

## USOA Part 32 Accounts

	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A
6561 Depreciation Expense-Telecommunications Plant in Service	Direct Cost Pool	Based on description of accounting codes	Directly assigned to regulated		✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes	Directly assigned to nonregulated	Nevada Bell rarely uses this cost pool	✓	✓	✓	✓
	Central Office Equipment Cost Pool	Based on description of accounting codes	Indirectly attributed based on relative investment value of central office equipment in Account 2211 through 2232		✓	✓	✓	✓
	Information Origination / Termination Cost Pool	Based on description of accounting codes	Indirectly attributed based on relative investment value of information origination / termination equipment in Accounts 2311 through 2362		✓	✓	✓	✓
	Outside Plant Cost Pool	Based on description of accounting codes	Indirectly attributed based on relative investment value of outside plant in Accounts 2411 through 2441		✓	✓	✓	✓
6562 Depreciation Expense – Property Held For Future Telecommunications use	General Support Asset Cost Pool	Based on description of accounting codes	Indirectly attributed based on relative investment value of general support assets in Accounts 2112 through 2124		✓	✓	✓	✓
	Future Depreciation Cost Pool	Cost Pool equals account	Indirectly attributed based on relative investment value in Account 2002, Property Held for Future Telecommunications Use	The Companies do not use this account				

<u>USOA Part 32 Accounts</u>	<u>Cost Pool Name</u>	<u>Cost Pool Identification</u>	<u>Cost Pool Apportionment Method</u>	<u>Comments</u>	<u>P</u>	<u>N</u>	<u>S</u>	<u>A</u>
6563 Amortization Expense - Tangible	Amortization Tangible Cost Pool	Cost Pool equals account	Indirectly attributed based on relative investment value in Account 2681, Capital Leases and Account 2682, Leasehold Improvements		✓	✓	✓	✓
6564 Amortization Expense - Intangible	Network Software Amortization Intangible Cost Pool	Based on description of accounting codes	Indirectly attributed based on relative value of the Network Software Cost Pool in Account 2690, Intangibles		✓	✓	✓	✓
	General Purpose Computer Software Amortization Intangible Cost Pool	Based on description of accounting codes	Indirectly attributed based on relative value of the General Purpose Computer Software Cost Pool in Account 2690, Intangibles		✓	✓	✓	✓
6565 Amortization Expense - Other	<b>Direct Cost Pool</b>	<b>Cost Pool equals account</b>	<b>Directly assigned to regulated</b>		✓	✓	✓	✓
6611 Product Management and Sales	Direct Cost Pool	Based on description of accounting codes	Directly assigned to regulated	Includes prior Accounts 6611 and 6612	✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes	Directly assigned to nonregulated	Includes prior Accounts 6611 and 6612	✓	✓	✓	✓

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A
6611 Product Management and Sales (Cont )	Product Management and Sales Residual Cost Pool	Based on description of accounting codes	Marketing Allocator	Includes prior Accounts 6611 and 6612	✓	✓	✓	✓
	Premises Sales Cost Pool	Based on description of accounting codes	Directly attributed based on statistical sampling of premises sales operations	This pool is used by SWBT See TRACS (SWBT) in Section VII Includes prior Account 6612			✓	
	Sales Administration Cost Pool	Based on description of accounting codes	Directly attributed based on relative value of related current month sales salaries and wages in the Direct Cost Pools and the Premises Sales Cost Pool in Account 6611. Product Management and Sales	Includes prior Account 6612	✓	✓	✓	
6613 Product Advertising	Direct Cost Pool	Based on description of accounting codes	Directly assigned to regulated		✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes	Directly assigned to nonregulated	<b>NB rarely uses this cost pool</b>	✓	✓	✓	✓
	Product Advertising Residual Cost Pool	Based on description of accounting codes	Marketing Allocator		✓	✓	✓	✓
6621 Call Completion Services	Direct Cost Pool	Cost Pool equals account	Directly assigned to regulated		✓	✓	✓	✓

<u>USOA Part 32 Accounts</u>	<u>Cost Pool Name</u>	<u>Cost Pool Identification</u>	<u>Cost Pool Apportionment Method</u>	<u>Comments</u>	<u>P</u>	<u>N</u>	<u>S</u>	<u>A</u>
6622 Number Services	Direct Cost Pool	Based on description of accounting codes	Directly assigned to regulated		✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes	Directly assigned to nonregulated	<b>Nevada Bell rarely uses this cost pool</b>	✓	✓	✓	✓
	Number Services Support Cost Pool	Based on description of accounting codes	Directly attributed based on relative value of Number Services current month salaries and wages in the cost pools (excluding the Number Services Support Cost Pool) in Account 6622, Number Services		✓		✓	✓
	Operator Systems Directory Assistance Cost Pool	Based on description of accounting codes	Directly attributed based on current month regulated and nonregulated call work volume usage		✓		✓	✓
	Directory Cost Pool	Based on description of accounting codes	Indirectly attributed based on directory study	SWBT uses Directory Space			✓	



## USQA Part 32 Accounts

## Cost Pool Name

## Cost Pool Identification

## Cost Pool Apportionment Method

## Comments

P N S A

6623 Customer Services	Direct Cost Pool	Based on description of accounting codes	Directly assigned to regulated	Includes service order processing, payment and collection and billing inquiry for interexchange carrier customer service Includes accounting toll operations associated with processing messages for carriers Includes toll message operations and local message operations along with the associated support Includes message investigation center and its associated support	✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes	Directly assigned to nonregulated		✓	✓		✓
	Service Order Cost Pool	Based on description of accounting codes	Directly attributed based on statistical sampling of customer services operations	Includes the costs of business and residence customers, centralized operations group order processing, and billing inquiry. Also includes local supervision, general administration and administrative support services. See Section VII, Service Representatives	✓	✓	✓	
	Service Order Processing Cost Pool	Based on description of accounting codes	Directly attributed based on analysis of service orders					✓
	Service Order Support Cost Pool	Based on description of accounting codes	Indirectly attributed based on relative value of the Service Order Cost in Account 6623, Customer Services		✓	✓	✓	
	Billing/Bill Payment Cost Pool	Based on description of accounting codes	Indirectly attributed based on analysis of customer bills	Includes costs of retrieving data for and producing customer bills Includes processing all basic account data Includes receiving mail payments from customers and public offices and performing payment, collection and treatment activities within a centralized operation	✓	✓	✓	

<u>USOA Part 32 Accounts</u>	<u>Cost Pool Name</u>	<u>Cost Pool Identification</u>	<u>Cost Pool Apportionment Method</u>	<u>Comments</u>	<u>P</u>	<u>N</u>	<u>S</u>	<u>A</u>
6623 Customer Services (Cont )	Customer Billing and Collection Cost Pool	Based on description of accounting codes	Indirectly attributed based on relative value of revenues in Accounts 5001 through 5100, 5230 and 5280					✓
	Combined Customer Services Operations Cost Pool	Based on description of accounting codes	Indirectly attributed based on relative value of the Service Order Cost Pool, Service Order Support Cost Pool and Billing/Bill Payment Cost Pool	Includes costs of combined customer services operations, i.e., order processing, billing inquiry and payment and collection activities performed within a centralized operation	✓	✓	✓	
	Other Customer Services Cost Pool	Based on description of accounting codes	Indirectly attributed based on the relative value of Account 6623, Customer Services (excluding the Billing/Bill Payment Cost Pool, Customer Billing and Collection Cost Pool, Other Customer Services Cost Pool and payphone expenses)					✓
6720 General and Administrative	Direct Cost Pool	Based on description of accounting codes	Directly assigned to regulated	Includes prior Accounts 6711-6728	✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes	Directly assigned to nonregulated	Includes prior Accounts 6711-6726 and 6728	✓	✓	✓	✓
	Directly Attributed Regulated	Based on description of accounting codes and computer usage	Directly attributed to regulated	Includes prior Account 6724	✓	✓	✓	✓
	Directly Attributed Nonregulated	Based on description of accounting codes and computer usage	Directly attributed to nonregulated	Includes prior Account 6724	✓	✓	✓	✓
	Plant Operations Cost Pool	Based on description of accounting codes	Indirectly attributed based on relative value of Plant Operations current month salaries and wages in Accounts 2111 through 2441, 6112 through 6441 and 6532 through 6535	Includes prior Account 6711	✓		✓	

## USQA Part 32 Accounts

	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A
6720 General and Administrative (Cont )	Customer Services Operations Cost Pool	Based on description of accounting codes	Indirectly attributed based on relative value of Marketing Operation and Plant Operations current month salaries and wages in Accounts 2111 through 2441, 6112 through 6441, 6532 through 6535, 6611 through 6613, and 6621 through 6623	Includes prior Account 6711	✓	✓	✓	
	Corporate Operations Cost Pool	Based on description of accounting codes	Indirectly attributed based on the relative value of current month salaries and wages in Account 6720 (excluding the Corporate Operations Cost Pool and Planning salaries and wages)	Includes prior Account 6711	✓	✓	✓	
	General and Administrative Operations Cost Pool	Based on description of accounting codes	Indirectly attributed based on company current month salaries and wages	Includes prior Accounts 6711, 6723, 6724, 6726 and 6728	✓	✓	✓	✓
	Plant Accounting Cost Pool	Based on description of accounting codes	Indirectly attributed based on relative investment value of Accounts 2002 through 2690	Includes prior Account 6721	✓	✓	✓	
	Revenue/Billing Cost Pool	Based on description of accounting codes and computer usage	Indirectly attributed based on analysis of customer bills	Includes prior Account 6724	✓	✓	✓	
	Customer Billing and Collection Cost Pool	Based on description of accounting codes and computer usage	Indirectly attributed based on relative value of regulated and nonregulated revenue in Accounts 5001 through 5100, 5230 and 5280					✓
	Plant Investment Cost Pool	Based on description of accounting codes.	Indirectly attributed based on current relative investment value of Account 2001, Telecommunications Plant in Service.	Includes prior Account 6724	✓	✓	✓	✓

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A
6720 General and Administrative (Cont )								
	Service Order Cost Pool	Based on description of accounting codes and computer usage	Indirectly attributed based on relative value of the Service Order Cost Pool in Account 6623, Customer Services	Includes prior Account 6724	✓	✓	✓	
	Service Order Processing Cost Pool	Based on description of accounting codes and computer usage	Directly attributed based on analysis of service orders	<b>Includes prior Account 6724</b>				✓
	Marketing Cost Pool	Based on description of accounting codes and computer usage	Marketing Allocator	Includes prior Accounts 6722 and 6724	✓	✓	✓	✓
	Information Management Cost Pool	Based on description of accounting codes	Indirectly attributed based on relative investment value of the common pools in Account 2124, General Purpose Computer	Includes prior Account 6724 This cost pool is rarely used by Ameritech		✓	✓	✓
	Network/Delivery Operations Cost Pool	Based on description of accounting codes	Indirectly attributed based on relative investment value of Accounts 1220 and 2112 through 2682	Includes prior Account 6726	✓	✓	✓	

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A
6720 General and Administrative (Cont )								
	General and Administrative Residual Cost Pool	Based on description of accounting codes	General allocator	Includes prior Accounts 6712, 6721, 6722, 6724, 6725, 6727 and 6728	✓	✓	✓	✓
6790 Provision For Uncollectible Notes Receivable	Uncollectible Cost Pool	Cost Pool equals account	General allocator	The Companies do not use this account				
7100 Other Operating Income and Expenses	Direct Cost Pool	Based on description of accounting codes	Directly assigned to regulated	Includes prior Accounts 7110 and 7130	✓	✓	✓	✓
	Land and Artworks Cost Pool	Based on description of accounting codes	Indirectly attributed based on the relative regulated and nonregulated Land investment in Account 2111 and Artwork investment in Account 2122	NB and Ameritech rarely use this pool Includes prior Account 7150	✓	✓	✓	✓
	Other Operating Income and Expense Residual Cost Pool	Based on description of accounting codes	General Allocator	Includes prior Accounts 7140 and 7160	✓	✓	✓	✓
7210 Operating Investment Tax Credits - Net	Investment Tax Credit Cost Pool	Cost Pool equals account	Indirectly attributed based on the current regulated and nonregulated investment value of Account 2001, Telecommunications Plant In Service, less Account 2690, Intangibles		✓	✓	✓	✓
7220 Operating Federal Income Tax	Federal Income Tax Cost Pool	Cost Pool equals account	Directly attributed based on operating book income before income taxes less interest expense		✓	✓	✓	✓
7230 Operating State And Local Income Taxes	State and Local Tax Cost Pool	Cost Pool equals account	Directly attributed based on operating book income before income taxes less interest expense		✓		✓	✓

USOA Part 32 Accounts	Cost Pool Name	Cost Pool Identification	Cost Pool Apportionment Method	Comments	P	N	S	A
7240 Operating Other Taxes	Direct Cost Pool	Based on description of accounting codes	Directly assigned to regulated				✓	
	Property Tax Cost Pool	Based on description of accounting codes	Indirectly attributed based on the current regulated and nonregulated investment value of Accounts 2111 through 2682, Account 1220, Inventories, and Account 2002, Property Held for Future Telecommunications Use		✓	✓	✓	✓
	Gross Receipts Tax Cost Pool	Based on description of accounting codes	Indirectly attributed based on relative value of revenues in Accounts 5001 through 5280, net of uncollectible revenue in Account 5300 less contra revenues and revenues not subject to Gross Receipts Taxes in Account 5280	<b>PB and NB rarely use this cost pool</b>	✓	✓	✓	✓
	Other Taxes Cost Pool	Based on description of accounting codes	General allocator		✓	✓	✓	✓
7250 Provision For Deferred Operating Income Taxes - Net	Deferred Tax Cost Pool	Cost Pool equals account	Directly attributed based on operating book income before income taxes less interest expense		✓	✓	✓	✓
7300 Non-Operating Income and Expense	Direct Cost Pool	Based on description of accounting codes	Directly assigned to regulated	Amounts in this cost pool will be excluded from ratemaking in the Separations process, thus allocation between regulated and nonregulated is not necessary. Includes prior Accounts 7310, 7320, 7330, <b>7340</b> , 7350, 7360 and 7370	✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes.	Directly assigned to nonregulated.				✓	
	Funds for Construction Cost Pool	Based on description of accounting codes	Indirectly attributed based on relative investment value of Account 2003, Telecommunications Plant Under Construction	Includes prior Account 7340	✓	✓	✓	✓
	Contributions Cost Pool	Based on description of accounting codes	General allocator	Includes prior Account 7370	✓	✓	✓	✓

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7500 Interest and Related Items	Direct Cost Pool	Based on description of accounting codes	Directly assigned to regulated	Interest paid on regulated customer deposits. The Companies do not pay interest on nonregulated customer deposits. Includes prior Account 7540.	✓	✓	✓	✓
	Direct Cost Pool	Based on description of accounting codes	Directly assigned to nonregulated	Interest expense charged directly to nonregulated due to under forecasting of nonregulated activities on regulated facilities. The Companies rarely use this pool. Includes prior Account 7540.	✓	✓	✓	✓
	Debt and Other Interest Cost Pool	Based on description of accounting codes	Indirectly attributed based on the current regulated and nonregulated investment value of Account 2001, Telecommunications Plant In Service.	Includes prior Accounts 7510, 7530 and 7540.	✓	✓	✓	✓
	Interest Capital Leases Cost Pool	Based on description of accounting codes	Indirectly attributed based on the relative investment value of Account 2681, Capital Leases.	Includes prior Account 7520.	✓		✓	✓
7600 Extraordinary Items	Direct Cost Pool	Cost Pool equals account	Directly assigned to regulated	Amounts in this account will be excluded from ratemaking in the Separations process, thus allocation between regulated and nonregulated is not necessary. The Companies rarely use this account. Includes prior Accounts 7610 – 7640.	✓	✓	✓	

<u>USOA Part 32 Accounts</u>	<u>Cost Pool Name</u>	<u>Cost Pool Identification</u>	<u>Cost Pool Apportionment Method</u>	<u>Comments</u>	<u>P</u>	<u>N</u>	<u>S</u>	<u>A</u>
7910 Income Effect Of Jurisdictional Ratemaking Differences - Net	Direct Cost Pool	Cost Pool equals account	Directly assigned to regulated	Amounts in this account will be excluded from ratemaking in the Separations process, thus allocation between regulated and nonregulated is not necessary	✓	✓	✓	✓
7990 Nonregulated Net Income	Direct Cost Pool	Cost Pool equals account	Directly assigned to nonregulated	The Companies rarely use this account	✓	✓	✓	✓



## SECTION VII –TIME REPORTING PROCEDURES

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## A TIME REPORTING METHODS USED TO ALLOCATE EXPENSE TO PART 32 ACCOUNTS

This section of the Companies' CAM describes the methods used to assign salary and wages to regulated and nonregulated operations. Job functions are used to directly assign or attribute costs whenever possible to regulated and nonregulated activities and to a specific Part 32 account. When an entire function cannot be directly assigned or attributed, time reporting is used to assign costs to regulated or nonregulated activities. Two time reporting methods are utilized: Positive Time Reporting (PTR) and Exception Time Reporting (ETR). Chart 1, at the end of this section, displays which method is used by each functional work group. The chart also displays for which employee groups sampling is utilized in conjunction with time reporting to allocate to regulated and nonregulated.

### 1 Positive Time Reporting

This method of time reporting assigns labor costs by identifying and reporting time for all activities on a daily basis. Positive time reporting drives payroll expenses to the appropriate Part 32 account. Network Operations and engineering labor forces use this method. Employees that positive time report use several time reporting accounting codes. Positive time reporting will be in one-quarter hour increments. There are two types of Positive Time Reporting. They are Conventional Positive Time Reporting and Sampled Positive Time Reporting.

#### a Conventional Positive Time Reporting – Ameritech, Nevada Bell, Southwestern Bell, Pacific Bell

Employees who use conventional positive time reporting identify one hundred percent of their time, in fifteen-minute increments, on a daily basis.

#### b Sampled Positive Time Reporting – Ameritech, Pacific Bell - Enhanced Time Distribution Process (ETDP)

Sampled positive time reporting is used for employees who consistently report their time to the same accounting classifications and whose activities are predominantly classifiable to expense accounts. The sample is designed to provide an allocation of employees' time/dollars to an expense account, which is within +/- 3 percentage points at the 95% level of confidence. Employees whose activities are classifiable to construction (capital accounts) report by conventional positive time reporting.

Employees covered by sampled positive time reporting are subdivided into geographic cluster/profiles based upon their functions and job titles. Each cluster/profile is individually sampled monthly to reflect the unique time distribution characteristics of the cluster/profile. For the monthly samples, a statistically valid method is used to randomly select employees within each cluster/profile.

The names of the selected employees are forwarded to trained Time Reporting Analysts who conduct the actual sample procedure. The selected employees complete activity logs, which identify how their time was spent during the sample period. The Analysts, using interviews, randomly verify completed logs. A review of the quality of the reporting (e.g., completeness, detail, and match to source documents) is also performed.

The activity data is then compiled and converted into the appropriate accounting classifications. A percentage distribution for each cluster/profile is developed from the previous three-month period and is input up front into the time reporting system for all employees in each cluster/profile. Employees in the ETDP population who are not selected to be sampled, report only actual time paid (such as a normal eight-hour workday or paid time off) without identifying any distribution to activities. The expense related to paid time, by both sampled and non-sampled employees, is then distributed to Part 32 accounts based upon the percentage distribution of the employees' cluster/profile.

Any work outside of normal job activities, such as uniquely required regulated and nonregulated product/project tracking, contracts, and other special projects not captured in the activity logs, are reported using conventional positive time reporting. The positive time reporting drives the expense to the Part 32 accounts and to regulated or nonregulated products/services as required based on the cost assignment data that is input.

c. Sampled Positive Time Reporting – SWBT - Technician Activity Statistical Sampling (TASS)

Sampled positive time reporting is used for employees who consistently report their time to the same accounting classification and whose activities are predominantly classifiable to expense accounts. Current employees who use the Technician Activity Statistical Sampling (TASS) process for sampled positive time reporting are Plant Specific Installation/Maintenance/Repair technicians.

Employees covered by sampled positive time reporting are subdivided by state and are eligible for sampling each month. The employees for the monthly samples are randomly selected by a statistical process. The sample is designed to provide an allocation of employee's time/dollars, which is within +/- 3% at the 95% level of confidence.

The selected employees complete mechanized activity logs which identify how their time was spent during the sample day. Completed logs are verified for accuracy by trained Network Analysts via phone interviews with the technicians. A review of the quality of reporting (e.g., completeness, detail and match to source documentation) is also performed. The activity time data is then compiled and converted into percentages by the appropriate accounting classifications.

The percentage distribution of the previous three month sample period is used to distribute the time of the employees in the current month. The percentage distribution is input into the time reporting system for all employees in the sample population. Employees in the TASS population, who are not sampled report only actual time worked without identifying any distribution to activities. The actual time worked is then distributed to activities. The actual time worked is then distributed to the accounting classifications based upon the percentage distributions by state.

Any exceptions to normal work activities are reported using conventional exception time reporting. Exceptions to normal work activities include such items as time paid but not worked (e.g., vacation, jury duty, and other paid time off), as well as uniquely required regulated and nonregulated product/project tracking, contracts, and other special projects not captured in the sampled activity logs.

## 2 Exception Time Reporting

Exception time reporting is the method by which employees report time only when engaged in an activity outside their routinely assigned functions. Exceptions to normal work activities include time paid but not worked (e.g., vacations, holidays, and paid excused workdays), as well as uniquely required regulated and nonregulated tracking, contracts, and other special projects. The accounting system assigns costs to both the exception reported and routinely assigned functions as follows

$$\begin{array}{|c|} \hline \text{Costs Associated} \\ \text{with Routinely} \\ \text{Assigned} \\ \text{Functions} \\ \hline \end{array} - \begin{array}{|c|} \hline \text{Exception} \\ \text{Reported} \\ \text{Costs} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Costs Remaining} \\ \text{with Routinely} \\ \text{Assigned} \\ \text{Functions} \\ \hline \end{array}$$

Exception time reporting will be in the following increments:

- Southwestern Bell and Nevada Bell 15 minutes,
- Pacific Bell; marketing employees 15 minutes, other employees 1 hour
- Ameritech 1 hour or less

The expenses associated with the routinely assigned functions are driven to the appropriate Part 32 account by the use of Accounting Codes. These codes are pre-established on each employee's mechanized payroll record and are associated with regulated, nonregulated or common activities. The distribution of expenses among accounting codes is established for each employee through an employee-by-employee analysis of job functions, and is modified whenever a significant shift in employee job functions occurs. It is the responsibility of the employee's department head to insure that the accounting information is accurate. Accurate daily time reporting is each employee's responsibility

Employees are required to maintain all relevant records, such as time report worksheets and associated back-up, assignment logs, planning calendars, day planner pages and telephone and appointment logs. This supporting documentation, as well as the exception time reports, is maintained by the originator for the record retention period. (See E. RECORD RETENTION.)

Establishment of accounting codes associated with nonregulated activities on the employee's payroll record will be utilized only in selected instances where the time spent on nonregulated activities remains stable. This method of capturing nonregulated payroll expenses is applied on an individual basis. For example, a product manager who month after month spends 80 percent of his/her time on a nonregulated activity can utilize this method to properly record payroll expenses by indicating on the mechanized employee payroll record that 80 percent of his/her time should be assigned to a nonregulated activity each pay period. If this product manager then worked on a special regulated project for a period of time, exception time reporting would be used to assign that additional time to the appropriate regulated account code.

## B STUDIES FOR PART 64 ALLOCATION OF MARKETING AND SALES EMPLOYEES' EXPENSE

This section details the studies that are used to allocate the cost pools within Part 32 accounts 6612 and 6623 to regulated and nonregulated to meet Part 64 requirements. They are not used to drive expenses to Part 32 accounts. Chart 1 displays the various sampling methods and the employee groups for which they are used.

For the marketing and sales employees, the costs associated with their routine job functions are assigned to the appropriate pool within a specific Part 32 account by Accounting Codes assigned to the employees. Various allocation methods are used to distribute those cost pools to regulated and nonregulated. The allocation methods are applied to pools for specific accounts in the Cost Allocation System (CAS) processes

### 1 For Sales employees - Pacific Bell - Enhanced Sales Time Reporting System (ESTRS)

This allocation method utilizes a time study to allocate the regulated, nonregulated and administrative time of direct sales personnel within Account 6612

The sampling scheme is designed to have each employee in the sample population selected once per quarter. The sample period is 1 day. The starting date of the sample period is randomly chosen. The employees to be sampled during each month are selected using a random number process.

The selected sales personnel complete daily logs detailing their regulated, nonregulated and administrative work activities. The Trained Time Reporting Analysts review these logs. After being reviewed, this information is used to compute a three-month rolling average of regulated, nonregulated and administrative/nonproductive percentages. The administration time is loaded on the regulated and nonregulated time based on the percentages calculated. The percentages are used to allocate the cost of all the employees in the ESTRS population.

The employees in the ESTRS population who were not selected to be sampled, report only actual time worked without identifying any distribution to activities. The total paid time, including paid time off, is then distributed to regulated and nonregulated based upon the results of the percentages distribution from the three-month rolling average.

Any exceptions to normal work activities, such as uniquely required regulated and nonregulated product/project tracking, contracts, and other special projects, are reported using exception time reporting. The exception reporting drives the expense to the Part 32 accounts associated with the exception code used.

### 2 For Sales employees – Southwestern Bell - Time Reporting Activity Control System (TRACS)

This allocation method utilizes a time study to allocate the regulated, nonregulated and administrative time of direct sales personnel within Account 6612.

One twelfth of the employees are selected each month. The employees are selected using a random number generator. All employees are studied once each year for a full month.

During the study month, the sales personnel complete a mechanized form detailing their regulated, nonregulated and administrative work activities including customer contacts. Information provided includes

- Customer
- Time spent on contact – Hours/Minutes
- Products discussed with the customer
- Month/day/year

The information is reviewed by the TRACS coordinators and stored in a central database location. The information is used to compute monthly regulated, nonregulated and administrative/nonproductive percentages. This data will be factored into a three-month rolling average of regulated and nonregulated percentages. The administrative time is loaded on the regulated and nonregulated based on the percentages calculated. This percentage distribution is input into the CAS system. It is used to allocate the Premises Sales Cost Pool in account 6612 which contains the expenses of all employees with Job Function Codes of 2200 and 2201.

Any exceptions to normal work activities, such as uniquely required regulated and nonregulated product/project tracking, contracts, and other special projects, are reported using exception time reporting. The exception reporting drives the expense to the Part 32 accounts associated with the exception code used.

### 3 For Service Representatives - Pacific Bell - Sales Channel Study

This method of allocating non-exception reported time utilizes a time and motion study to allocate the regulated, nonregulated and administrative time of service representatives within Account 6623.

Company statisticians use a statistically valid method to randomly select the monthly sample size by stratum. Each sample is then generated using a random number generator. Employees that have been sampled previously are not eligible to be sampled more than once in the same calendar year.

A time and motion study is performed to determine the percent of time spent on each activity. The results of the study are used to determine the percentage of activities, on average, that are devoted to regulated products/services vs. nonregulated products/services. The administrative time is loaded on the regulated and nonregulated products/services based on the results of the study.

The resulting percentage is input into the CAS system. It is applied to the costs in the Service Order Cost pool in account 6623. This pool contains the expense for the paid time, including paid time off, of the service representatives.

Any exceptions to normal work activities, such as uniquely required regulated and nonregulated product/project tracking, contracts, and other special projects, are reported using exception time reporting. The exception reporting drives the expense to the Part 32 accounts associated with the exception code used.

#### 4 For Service Representatives - Southwestern Bell - Customer Operations Expense Study

This method of allocating non-exception reported time utilizes time studies to allocate the regulated and nonregulated time of service representatives within Account 6623.

The statistician determines the appropriate number of calls needed to produce a statistically valid sample. Prerecorded sales calls from the various call centers within the Southwestern Bell region are haphazardly selected monthly by stratum. A time study is performed using these samples to determine the percent of time spent on each product/service offered within the call centers. The results of the study are used to determine the percentage of activities that are devoted to regulated products/services vs. nonregulated products/services.

The resulting percentage is input into the CAS system. It is applied to the costs in the Service Order Cost pool in Account 6623. This pool contains the expense for the paid time, including paid time off, of the service representatives.

Any exceptions to normal work activities, such as uniquely required regulated and nonregulated product/project tracking, contracts, and other special projects, are reported using exception time reporting. The exception reporting drives the expense to the Part 32 accounts associated with the exception code used.

#### 5. For Service Representatives - Nevada Bell – Customer Operations Expense Study

This method of allocating non-exception reported time utilizes time studies, sales reports and call volume data to allocate the regulated and nonregulated time of service representatives within Account 6623.

- The studies use time sampling procedures and are done periodically. Pre-recorded sales calls are monitored at random. The sampled sales calls are used to establish standard times for each nonregulated item that is sold. These standard times include a prorated amount of the common time.
- The sales reports provide the number of each nonregulated item that was sold for the month.
- Call Volume data is received from the Business and Consumer support organizations. The data includes the number of calls for the month and the average length per call. This is used to calculate the total call time for all service representatives.

The standard time to make a sale of a nonregulated product is multiplied by the number of sales for that item for the month. The time for all nonregulated products is summed and subtracted from the total call time. The remainder is the regulated time.

The results of the study are used to determine the percentage of time, on average, that is devoted to regulated products/services vs. nonregulated products/services.

The resulting percentage is input into the CAS system. It is applied to the costs in the Service Order Cost pool in Account 6623. This pool contains the expense for the paid time, including paid time off, of the service representatives.

Any exceptions to normal work activities, such as uniquely required regulated and nonregulated product/project tracking, contracts, and other special projects, are reported using exception time reporting. The exception reporting drives the expense to the Part 32 accounts associated with the exception code used.

### C. TRAINING

Training is designed to raise the employees' awareness of the time reporting requirements of this manual.

Methods include:

- Training documents covering system changes that are sent as required to system users.
- Providing revisions to all accounting manuals.
- Initial account code training is given to new positive time reporting employees who support nonregulated activities.
- Periodic time reporting training is provided as requested by a department or as training needs are identified.
- Statements included in the company "Code of Business Conduct". (This is a summary of corporate policies reviewed and signed annually by all employees. It explains the employees' responsibilities and the penalty for violations.)
- Annual time and expense reporting policy letter from upper management, which is provided to all employees.

### D. MONITORING AND CONTROL

Time reporting monitoring is achieved through review and verification procedures.

- Periodic internal and external audits are conducted to ensure compliance with time reporting procedures.
- Reviews of payroll time reporting and accounting classification code accuracy are performed periodically.

Control is achieved through the management approval process for time reporting.



## E. RECORD RETENTION

All relevant records, including time sheets and required supportive documentation, are retained for a period of at least one year after the close of the year to which the records relate per the "Order on Reconsideration", CC Docket No. 86-111 (released October 16, 1987) paragraph 90.

## F. ALLOCATION OF NONPRODUCTIVE TIME

The Companies have subdivided the FCC definition of nonproductive time for clarification. It is classified into two categories, nonproductive time and administrative time.

- Nonproductive Time is paid time off from work. Nonproductive time consists of the following items: vacations, holidays, and paid excused workdays.
- Administrative Time consists of productive activities on the job that are not chargeable to a specific type of telephone plant, product, service or job function. Examples of administrative time include, staff meetings and activities not specified to regulated or nonregulated products/services.

### 1 Positive Time Reporting Employees

Employees that perform engineering and plant operations functions report their nonproductive and administrative time to specific accounting codes. These costs are apportioned based on their productive wages and salaries.

### 2 Exception Time Reporting Employees

#### a Nonproductive time

Nonproductive time for employees using exception time reporting (ETR) from a directly assigned cost pool will be allocated to the same cost pool as the ETR hours based upon a ratio of the nonproductive wages to total productive wages of employees using ETR for the cost pool. The CAM develops the following nonproductive ratio:

$$\frac{\text{Total Nonproductive Costs of ETR employees}}{\text{Total Productive Costs of ETR employees}} = \text{Nonproductive ETR Ratio (NETR Ratio)}$$

For each accounting code with directly assigned wages, the amount of expense that would have been assigned using the NETR Ratio is calculated by multiplying the NETR Ratio times the productive wages. This amount is then assigned to the same cost pool as the ETR productive hours.

b Administrative Time

Administrative time for employees using exception time reporting (ETR) from a directly assigned cost pool will be allocated to the same cost pool as the ETR hours. The administrative time percentage is determined by a study. It is multiplied against applicable ETR wages. For example, a marketing employee for whom regulated accounting codes have been established, exception reports time to a nonregulated tracking code. The reported nonregulated time is multiplied by the administrative time percentage. An applicable amount of additional expense is deducted from regulated expense and assigned to the nonregulated tracking code.

# CHART 1 TIME REPORTING AND ALLOCATION METHODS BY WORK GROUP

Work Group In USOA Expense Accounts	Positive Time Reporting		Exception Time Reporting	
	Conventional	Sampled	Allocation by Accounting Code	Allocation Methods Using Sampling
<u>PLANT SPECIFIC</u>				
Construction	NONMGT			
Installation	NONMGT	NONMGT		
Maintenance/Repair	NONMGT	NONMGT		
Engineering	MGT & NONMGT			
<u>PLANT NONSPECIFIC</u>				
Provisioning	NONMGT		MGT & NONMGT <sup>A</sup>	
Network Admin	NONMGT		MGT & NONMGT <sup>A</sup>	
Testing	NONMGT	NONMGT	MGT & NONMGT <sup>A</sup>	
Plant Oper Admin	NONMGT		MGT & NONMGT <sup>A</sup>	
Engineering Admin	MGT		MGT & NONMGT <sup>A</sup>	
<u>CUSTOMER OPERATIONS</u>				
Product Management			MGT & NONMGT	
Sales			MGT & NONMGT	MGT & NONMGT
Product Advertising			MGT & NONMGT	
Call Completion			MGT & NONMGT	
Number Services			MGT & NONMGT	
Customer Services			MGT & NONMGT	NONMGT
<u>CORPORATE OPERATIONS</u>				
Executive			MGT & NONMGT	
Planning			MGT & NONMGT	
Accounting & Finance			MGT & NONMGT	
External Relations			MGT & NONMGT	
Human Resources			MGT & NONMGT	
Information Management			MGT & NONMGT	
Legal			MGT & NONMGT	
Procurement			MGT & NONMGT	
Research & Development			MGT & NONMGT	
Other General & Admin			MGT & NONMGT	

<sup>A</sup>Nonmanagement employees using ETR in the plant nonspecific work groups represent clerical and other support employees.